

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /088 R

DRAFTED BY EB/OT/STA:MGOLDMAN:JH

APPROVED BY EB/OT:WGBARRACLOUGH

EA/ROC:DBROWN

EA/ROK:PMAYHEW

STR:MPOMERANZ

COMM:LMURPHY

TREAS:BBARREDA

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P 252207Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

C O N F I D E N T I A L STATE 211590

E.O. 11652: GDS

TAGS: ETRD, TW, US

SUBJECT: SECTION 301 PETITION FILED BY CHARLES REHFELDT,
LAI FU TRADING CO., LTD

REF: A) TAIPEI 5496 B) TAIPEI 5382 C) TAIPEI 5465

1. DEPARTMENT AND OTHER CONCERNED USG AGENCIES WOULD
APPRECIATE REPORT ASAP CONCERNING WHEN WE CAN EXPECT
RESPONSE TO JULY 23 LETTER. WAS SUBJECT RAISED AT EY
MEETING AUGUST 12?

2. EMBASSY SHOULD CONTINUE TO PRESS FOR FAVORABLE RESPONSE.
IN ITS DISCUSSIONS WITH GROC, EMBASSY SHOULD NOTE POINTS
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CONTAINED PARAS 3-5 (AND 6 IF NECESSARY) BELOW.

3. TO DATE, THE ONLY EXPLANATION PROVIDED TO US BY GROC REGARDING TARIFF INCREASES IS CONTAINED IN LETTER FROM T.W., HU, ECONOMIC COUNSELOR TO MORTON POMERANZ, CHAIRMAN OF 301 COMMITTEE WHICH STATES IN PART:

"THE HIGH TARIFF RATES CITED IN DOC. NO 301-9 REFER TO A TEMPORARY TARIFF ADJUSTMENT ACTION ADOPTED BY THE GOVERNMENT OF THE REPUBLIC OF CHINA ON MARCH 28, 1975 FOR A

PERIOD OF ONE YEAR, AND SUBSEQUENTLY EXTENDED IN MARCH 1976 FOR ANOTHER YEAR. THIS TEMPORARY ACTION WAS INSTITUTED WITH A VIEW TO COPE WITH THE DETERIORATING INTERNATIONAL BALANCE OF PAYMENTS SITUATION OF THE REPUBLIC OF CHINA CAUSED BY THE WORLD-WIDE RECESSION. SUCH INCREASES WILL BE RESCINDED AS SOON AS MY GOVERNMENT DETERMINES THAT THE BALANCE OF PAYMENT CRISIS IS OVER."

4. RECENT STATISTICS (REFTEL A) LEAVE LITTLE DOUBT THAT THE ROC HAS SUCCEEDED IN REGAINING A HEALTHY TRADE AND RESERVES POSITION. THUS, IT APPEARS THAT THE HIGH TARIFFS CONTINUE WHILE THEIR PURPOSE NO LONGER EXISTS.

5. AS INDICATED IN HU'S LETTER ABOVE, THE TARIFF INCREASE IS SCHEDULED TO EXPIRE IN MARCH, 1977. IN LIGHT OF THE GROC'S IMPROVED ECONOMIC SITUATION, AND IN THE INTERESTS OF RESOLVING THIS PROBLEM AMICABLY AND IN THE SPIRIT OF OUR OTHERWISE EXCELLENT BILATERAL ECONOMIC RELATIONS, WE URGE THAT THE GROC AGREE TO ADVANCING THE SCHEDULED EXPIRATION DATE BY SIX MONTHS, AND BRING TARIFF LEVELS TO PRE-1974 RATES.

6. WE DO NOT WISH TO ENTER INTO DEBATE OVER CONTENTS OF LOCAL PRESS REPORTS. WE CANNOT HOWEVER, ACCEPT ROC ARGUMENT REPORTED IN LOCAL PRESS WITH RESPECT TO THE RELEVANCE OF TARIFF LEVELS OF OTHER EA COUNTRIES. THE QUESTION IN THIS CASE RELATES NOT TO A COMPARISON OF COUNTRIES WITH DIFFERING TRADE, FINANCIAL, INDUSTRIAL AND ECONOMIC SITUATIONS, BUT TO THE INCREASE IN ROC TARIFFS PER SE.

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7. WOULD ALSO APPRECIATE ANY LIGHT EMBASSY CAN SHED ON ACTUAL GROC MOTIVATION THAT COULD EXPLAIN ITS APPARENT UNWILLINGNESS TO RESOLVE THIS RELATIVELY MINOR PROBLEM DESPITE KEEN AND CONTINUED USG CONCERN. KISSINGER

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